

# SUBCOMMITTEE 3

## FINAL ACTION REPORT

### Senate Budget and Fiscal Review

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# SUBCOMMITTEE No. 3

## HEALTH, HUMAN SERVICES, and LABOR

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# HEALTH

## **0530 CALIFORNIA HEALTH & HUMAN SERVICES AGENCY**

- Reduces by \$807,000 in General Fund support for the California Health and Human Services Agency.

## **4120 EMERGENCY MEDICAL SERVICES AUTHORITY**

- Agrees not to transfer the EMSA to the Department of Health Services and instead reduced by \$138,000 (General Fund) which is the equivalent amount of savings that would have occurred under the proposed transfer.
- Increases by \$6.9 million (General Fund) the amount provided to the Poison Control Center to maintain program operations as proposed by the Administration.

## **4260 DEPARTMENT OF HEALTH SERVICES**

### **Medi-Cal Program**

- Maintains Medi-Cal eligibility for the 1931 (b) category of low-income families (100 percent of poverty and below).
- Maintains Medi-Cal eligibility for the Aged, Blind and Disabled category as established in the Budget Act of 2000. Specifically, individuals making \$757 per month or below, and couples making \$1,344 per month or below, will be eligible to obtain Medi-Cal coverage at no share-of-cost.
- Maintains Medi-Cal Optional Benefits but does enact a variety of cost-containment actions for certain services as discussed below.
- Assumes receipt of about \$900 million in additional federal funds (over 2002-03 and 2003-04) for the DHS in response to the federal fiscal relief package for states as contained in the federal Jobs and Growth Tax Relief Reconciliation Act of 2003. In total, the state received \$1,151.8 billion in additional federal funds which can be used to provide essential government services or cover the costs to the state for complying with federal mandates.
- Shifts the Medi-Cal Program from an accrual to a cash budgeting system for savings of \$930 million (General Fund) in the Medi-Cal local assistance item.
- Assumes savings of \$194 million (General Fund) through the enactment of county performance standards which will ensure that county eligibility staff complete Medi-Cal Program

redeterminations in a timely manner. This action was enacted through Chapter 9, Statutes of 2003 (SB 26x).

- Enacts a 5 percent provider rate reduction in Medi-Cal for a period of three-years (January 1, 2004 through January 1, 2007) for savings of \$115.1 million (General Fund). Exempt from this rate reduction are: acute hospital inpatient services, hospital outpatient services, Federally Qualified Health Centers (FQHCs), Rural Health Clinics, state Developmental Centers, state hospitals, clinical laboratories and services, long-term care facilities, Adult Day Health Care, Intermediate Care Facilities for Developmentally Disabled, and some smaller service categories related to long-term care. In addition, any 5 percent reduction taken for durable medical supplies shall be at the discretion of the Director of the Department of Health Services.
- Provides an increase of \$59.8 million (General Fund) to reflect an average rate increase of 3.8 percent for long-term care nursing facilities for 2003-04.
- Provides an increase of \$46 million (General Fund) to fund the Supplemental Wage Rate Adjustment provided to nursing homes having a signed labor contract. This funding is to address supplemental payments to be made for 2002-03, as well as for 2003-04.
- Freezes rate adjustments for 2004-05 for long-term care facilities and acute hospital inpatient services at their 2003-04 level for a combined out-year savings of about \$134 million (General Fund).
- Assumes savings of \$50.7 million (General Fund) in the Denti-Cal Program through enactment of specified utilization controls implemented through Chapter 9, Statutes of 2003 (SB 26x).
- Assumes savings of \$21 million (General Fund) by implementing semi-annual reporting for certain eligibility categories (adults only) enrolled in Medi-Cal effective as of August 1, 2003. This action was enacted through Chapter 9, Statutes of 2003 (SB 26x). It should be noted that children enrolled in Medi-Cal must undergo a redetermination for eligibility every 12 months.
- Captures savings of \$35.4 million (General Fund) by collecting additional aged drug rebate moneys owed to the state and conducting more Therapeutic Category Reviews of drugs which will result in lower drug expenditures in the Medi-Cal Program.
- Approves the Administration's proposal to implement a six percent "Quality Improvement Assessment" on Medi-Cal Managed Care plans (about 31 plans in total) which will provide \$37.5 million (General Fund) in savings to the state and will increase rates by an average of almost 3 percent for the plans on an annual basis. The proposal also enables the state to draw down an additional \$112.5 million in federal funds.
- Adopts the Administration's proposal to implement a six percent "Quality Assurance Fee" for Intermediate Care Facilities for the Developmentally Disabled (ICF-DD facilities) which results in \$14.6 million (General Fund) savings for the state and will increase rates by an average of 1.9 percent for the facilities on an annual basis. The proposal also enables the state to draw down an additional \$20.5 in federal funds.
- Saves \$38 million (General Fund) by implementing new utilization and payment controls as proposed by the Administration. These include an adjustment to laboratory services, eliminating obsolete codes on certain products that are no longer provided in common practice

(such as elastic stockings), and limiting a provider's ability to cause secondarily referred services to be billed by other providers.

- Captures \$20.2 million (General Fund) in savings from implementation of various Medi-Cal fraud activities. A total of 161.5 new positions, on an existing base of 264 positions, were provided to the DHS for this effort. In addition, Budget Bill language directs the DHS to determine the viability of contracting with business entities to identify Medi-Cal fraud and to recover payments owed to the state for any fraudulent activities.
- Sweeps a Special Fund Deposit (number 0942-14) for savings of \$4.7 million (General Fund). This fund had Surplus Money Investment Fund interest available in it which was unencumbered and therefore, available for reversion to the General Fund.
- Eliminates the second-year of Transitional Medi-Cal coverage for savings of \$2 million (General Fund).
- Eliminates funding for BabyCal Outreach and Medi-Cal/Healthy Families Outreach for total combined savings of \$7 million (General Fund).
- Places limits on Serostim (human growth hormone) as proposed by the Administration for savings of \$8.9 million (General Fund).
- Provides for the implementation of "Step-Care Drug Therapy," "Direct Prescriber Communication," and enhanced educational programs to improve the overall prescribing of drugs in the Medi-Cal Program. These programs are estimated to save \$1.2 million (General Fund) in the budget year and grow to savings of \$16 million (General Fund) on an annual basis. These programs will facilitate long-term structural reform.
- Changes the reimbursement methodology for durable medical equipment for savings of \$1.6 million (General Fund) as proposed by the Administration.
- Changes the reimbursement methodology for blood factor products for savings of \$1.2 million (General Fund) as proposed by the Administration.
- Places limits on certain laboratory services making them subject to frequency limitations for services occurring within a set period of time for savings of \$5.3 million (General Fund) as proposed by the Administration.
- Reduces by \$6.2 million (General Fund) to reflect increased medical support functions to be performed by the Department of Child Support to identify appropriate parental medical support in lieu of using Medi-Cal services.
- Reduces by \$6.1 million (General Fund) to reflect a refinement of the estimating methodology for the Early Periodic Screening and Diagnosis Program (EPSDT) for mental health services which are funded through the Medi-Cal Program.
- Saves \$1 million (General Fund) by adopting the Administration's proposal to restructure how licensing and certification fees are calculated by the DHS.
- Reduces by \$580,000 (General Fund) for cost containment for hearing aids and their accessories.

- Places restrictions on the rental of durable medical equipment within the Medi-Cal Program for savings of \$500,000 (General Fund).
- Provides \$72.4 million (federal funds) for certain teaching hospitals for services relating to inpatient clinical teaching and medical education activities that are provided to Medi-Cal recipients.
- Provides \$1.8 billion (\$903.5 million federal and \$903.5 million special fund) in Disproportionate Share Hospital (DSH) payments. The state's allocation remains at \$85 million which is used to offset General Fund expenditures in Medi-Cal local assistance.
- Appropriates \$1.316 billion (federal funds) to reimburse select hospitals having contracts with the California Medical Assistance Commission (CMAC) to provide enhanced inpatient services. This figure reflects a reduction in payments due to new federal Upper Payment limit restrictions.
- Commences implementation of a Disease Management Program by providing three staff positions to the DHS to craft a program for implementation in 2005.
- Appropriates \$4.9 million (federal funds) for Trauma Care Centers to be allocated by the DHS based on a local match, not a state General Fund match.
- Provides \$196,000 General Fund (\$164,000 is one-time only) to fix the newborn enrollment processing system in order to enroll eligible newborns into the Medi-Cal Program in a timely manner as required by federal law.

### **Public Health Programs**

- Appropriates over \$120 million (Proposition 50 Water Bond Funds) to the DHS to fund water security functions as contained in Chapter 3 of Proposition 50, and safe drinking water projects as contained in Chapter 4 of Proposition 50. Of the total amount, \$1.8 million is to be used to fund 13.5 positions in state support.
- Appropriates \$32.4 million (federal funds) in federal bioterrorism funds, including \$7.4 million for DHS state operations and \$25 million for local assistance.
- Provides \$3.6 million (federal funds) to continue the Infant Botulism Program.
- Provides \$24.8 million (Proposition 99 funds) for increased reimbursement to emergency medical physicians. This is the same level of funding as provided in past years.
- Reverts \$6 million in unexpended Tobacco Settlement Funds to the General Fund to serve as an offset in state expenditures overall.
- Makes adjustments to the AIDS Drug Assistance Program (ADAP) by (1) increasing drug rebates by \$8.9 million, (2) rejecting the Administration's copay proposal and backfilling with \$1.4 million (General Fund), and (3) providing the DHS with authority to transfer up to \$7 million (General Fund) from the HIV Therapeutic Monitoring Program to ADAP if necessary. In addition, trailer bill language was adopted which (1) enables the DHS to allow for certain administrative remedies if funding is not available for ADAP, and (2) establishes the HIV

Therapeutic Monitoring Program in statute. The budget provides an appropriation of about \$205 million (total funds) for the ADAP.

- Implements cost-containment measures within the Genetically Handicapped Persons Program (GHPP) and the California Children's Services Program for savings of over \$2 million (General Fund).
- Reduces by \$943,000 (General Fund) the California Children's Services Program to reflect a five percent rate decrease effective as of January 1, 2004. This adjustment corresponds to the rate reduction enacted within the Medi-Cal Program.
- Reduces by \$878,000 (General Fund) the Genetically Handicapped Persons Program to reflect a five percent rate decrease effective as of January 1, 2004. This adjustment corresponds to the rate reduction enacted within the Medi-Cal Program.
- Reduces by a total of \$10.3 million (General Fund) by eliminating the Teen Pregnancy Media Campaign (\$7.8 million), reducing \$848,000 from TeenSMART, and reducing \$ 1.7 million from the Information and Education projects. However, \$4.2 million in federal funds was identified to backfill for the reduction to the Information and Education projects and TeenSMART, and provide for related teen pregnancy mitigation efforts using collateral materials.
- Appropriates \$3.125 million (General Fund) for the Cancer Research Program. In addition, Budget Act Language was adopted to encourage the DHS to actively seek private funding options for this program.
- Appropriates \$750,000 (General Fund) for Valley Fever research and vaccine-related activities.
- Identifies \$192,000 (special funds) in Nine West Settlement funds to be used for Gynecological Cancer Information Program purposes.
- Rejects the Administration's proposal to reduce by \$2.350 million (General Fund) the Expanded Access to Primary Care Clinic (EAPC) Program. As such, the EAPC Program will continue to be funded at the same level as last year.
- Adopts the Administration's proposal to reduce by \$1.6 million (General Fund) the Adolescent Family Life Program.
- Reduces by \$125,000 (General Fund) an unnecessary assessment for the continuous skilled nursing pilot project.
- Increases by \$450,000 (Alzheimer's Disease and Related Disorders Research) to update the revenues available through the tax check-off for the specific purpose of funding research projects for Alzheimer's disease and related disorders.

#### **4280      MANAGED RISK MEDICAL INSURANCE BOARD**

- Approves as budgeted the Healthy Families Program to provide health, dental and vision insurance to an estimated 726,625 children in the budget year.

- Enacts a rate freeze for health, dental and vision plans participating in the Healthy Families Program effective as of July 1, 2004 through June 30, 2005.
- Transfers about \$1 million (Proposition 99 Funds) from the Office of Statewide Health Planning (OSHPD) to the Rural Health Demonstration Projects in the Healthy Families Program in order to draw a 65 percent federal match and to continue to operate these valuable projects under the Health Families Program.
- Approves as budgeted the Access for Infants and Mothers (AIM) Program which is slated to be consolidated beginning July 1, 2004.
- Approves as budgeted the Managed Risk Medical Insurance Program.

## **4300 DEPARTMENT OF DEVELOPMENTAL SERVICES**

### **Community-Based Services**

- Saves \$18.9 million (General Fund) by freezing the Regional Center contract rates for the budget year at the current year levels for certain services, including Adult Day Programs, Transportation, Look-A-Like Programs and Supported Living. This action was taken in lieu of the Administration's proposal to implement so called "Statewide Standards" for the Purchase of Services which would have reduced the appropriation by \$69.3 million (\$50 million General Fund).
- Saves \$7 million (General Fund) by freezing the rates paid to residential providers.
- Reduces by \$10 million (General Fund) as an "unallocated" reduction the amount appropriated for the Purchase of Services for Regional Centers. This action was also taken in lieu of the Administration's proposal to implement Statewide Standards for the Purchase of Services.
- Identifies an additional savings of \$5.3 million (General Fund), on top of the Administration's reduction of \$8.650 million (General Fund), from the Regional Center's Operations budget for a total adjustment of about \$14 million (General Fund). This action included trailer bill language to (1) modify the service coordinator to consumer ratios, (2) change the core staffing ratio for secretarial support, and (3) revise the core staffing ratio for Supervising Counselors.
- Recognizes savings of \$13.3 million (General Fund) by assuming the federal Centers for Medicare and Medicaid (CMS) certifies South Central Regional Center for the Home and Community Based Waiver during the budget year.
- Eliminates the SSI/SSP pass-through rate adjustment for Community Care Facility providers for savings of \$1.570 million (General Fund).
- Agrees to adopt the Administration's proposal to apply the federal standard for "substantial disability" to existing state eligibility criteria for savings of \$2.1 million (General Fund). This federal definition requires the clinical determination of significant limitations in three or more of the seven major life activities. The new standard would be applied prospectively and the Regional Centers will still use their clinical judgement in applying the new standard.
- Eliminates \$1.2 million (General Fund) in incentive funds to be paid to Transportation Vendors for modifying their billing procedures.



- Requires the DDS to develop a comprehensive plan to implement a parental copayment system in 2004-05. This action is in lieu of implementing a system in the budget year since considerably more detailed work is needed in order to appropriately commence implementation.
- Delays the transfer of the Habilitation Services Program from the Department of Rehabilitation to the DDS until July 1, 2004.
- Reappropriates \$5 million for the Bay Area Project to assist in facilitating the closure of Agnews Developmental Center.

### **Developmental Centers**

- Rejects the request to hire additional special investigators for savings of \$237,000 (General Fund).

## **4440 MENTAL HEALTH**

### **Community-Based Services**

- Continues the Children's System of Care Program and the Integrated Services for Homeless Adults program at the same funding levels as provided in 2002-03.
- Reduces by \$11.5 million (General Fund), or by about five percent, state support for Mental Health Managed Care.
- Saves \$12.2 million (Reimbursements from the DHS) by reflecting a refinement in the estimating methodology for the Early Periodic Screening and Diagnosis Program (EPSDT) for mental health services.
- Continues the freeze (third year) on providing a medical consumer price index adjustment for Mental Health Medi-Cal Managed Care. This results in cost avoidance of \$6.7 million (General Fund).
- Shifts \$69 million in local mandate expenditures which are estimated to occur for mental health services provided to special education students (so called AB 3632 children) to federal funds obtained through federal special education funding.
- Approves trailer bill language to require the DMH to implement regulations regarding Mental Health Medi-Cal Managed Care within one-year because the Administration has been operating on emergency regulation authority for over 7 years.
- Rejects the Administration's proposal to eliminate \$2 million (General Fund) in local assistance expenditures which are used for a variety of purposes including to (1) provide support and education to clients, (2) facilitate family-involvement in the treatment of mental illness, (3) provide direct services under the federal Rehabilitation Waiver, and (4) provide direct services in Sacramento County per SB 840, Statutes of 1991. It was agreed with the Administration to eliminate funds of \$2,000 for the Governor's Homeless Conference.

- Provides \$10 million (Proposition 98-General Fund) to continue the Early Mental Health Initiative for children.
- Proposes an alternative to eliminating the Second Level Treatment Authorization Request (TAR) appeals by adopting trailer bill language to require any hospital losing its second level appeal to be required to reimburse the DMH for its total cost of processing the appeal, less the federal match.
- Captures \$2 million in General Fund savings for the San Mateo Field Test Model by recognizing the shift in Medi-Cal accounting (i.e., changing from an accrual to a cash based system).
- Augments by \$1.250 million (Reimbursements from the California Children and Families Commission) to provide infant, preschool and family member mental health services on a two-year pilot project basis.

**State Hospitals**

- Approves as budgeted the appropriation for the State Hospitals.
- Agrees to delay activation of the Salinas Valley Psychiatric Program for savings of \$1 million (Reimbursements from the California Department of Corrections).
- Agrees to delay activation of Coalinga State Hospital as proposed by the Administration for savings of \$5 million (\$1.250 million General Fund).

## HUMAN SERVICES

### **4130 HEALTH AND HUMAN SERVICES DATA CENTER**

- Reduced spending authority by \$10.3 million for maintenance and operations of the Child Welfare Services Case Management System (CWS/CMS) to reflect savings resulting from a negotiated CWS/CMS maintenance and operations contract extension.
- Reduced spending authority by \$7 million due to financing of new CWS/CMS hardware.
- Denied requested spending authority increases for infrastructure costs totaling \$4.9 million.
- Increased spending authority by \$4.3 million to reflect actual expenditure level.
- Adopted Budget Bill language to require the Data Center to reduce its rates by at least 8 percent for savings in department budgets of approximately \$20 million. Directed Finance to adjust items to reflect the decreased departmental costs resulting from the required rate reduction. The Governor vetoed the Budget Bill language and stated that it would hamper the Data Center's ability to set rates that provide cost-effective information technology services. He stated that rates are contingent on costs and utilization and that reduced funding for information technology at the client departments would limit the departments' ability to pay for increased utilization.

### **4140 OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT**

- Agreed with Governor's reduction of \$142,000 for the Health Professions Career Opportunity program and adopted trailer bill language to make program implementation contingent on a budget appropriation.
- Approved the Governor's request to restore \$4.5 million in General Fund (GF) support for the Family Physician Training program to reflect withdrawal of proposed fees to fund the program.
- Adopted Budget Bill language to reduce funding for the Rural Health Small Grants program, contingent on the enactment of legislation that permits the use of Proposition 99 to fund the Rural Health Demonstration Projects administered by the Managed Risk Medical Insurance Board and to draw down federal matching funds. The Governor vetoed this language as there are sufficient Proposition 99 funds to support the Rural Health Demonstration Projects and the Rural Health Small Grants program.

**4170 DEPARTMENT OF AGING**

- Agreed with the Governor's reduction of \$2.7 million to the Foster Grandparent program, Senior Companion program and Respite Registry program and adopted trailer bill language to make program implementation contingent on a budget appropriation. Restored \$423,000 to the Senior Companion program.
- Reduced funding for the StayWell program by \$200,000, reduced state administration funding by \$600,000, and directed the \$800,000 in savings to the Senior Nutrition program.
- Reduced funding for Health Insurance Counseling and Advocacy Program (HICAP) by \$560,000 to reflect a loss in federal funds.
- Augmented local funding for Nutrition, Family Caregiver program, and preventive health by \$1.1 million to reflect new federal Older Americans Act program funding.
- Restored \$865,000 GF to the Brown Bag program.
- Restored \$2.35 million GF to the Senior Nutrition program.
- Agreed with the proposed increase of \$2.3 million from the Federal Penalty Citation Account to the State Long-Term Care Ombudsman program.

**4180 COMMISSION ON AGING**

- Approved as budgeted.

**4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**

- Reversed the proposed realignment of alcohol and drug treatment programs.
- Approved the Governor's proposed reduction of \$11.5 million to county alcohol and drug treatment programs.
- Augmented funding for drug courts by \$5.3 million and restructured drug courts serving adults to focus exclusively on prison bound offenders for net GF savings of \$9.6 million. Savings are realized in the Department of Corrections' budget.
- Increased funding for Drug Medi-Cal by \$5.8 million to reflect cost and caseload changes.
- Approved the Governor's proposed \$6 million federal funding increase to the Safe and Drug Free Communities and Schools Grant and the State Incentive Grant to support substance abuse prevention programs primarily serving youth.

**4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT**

- Rejected the Governor's proposal to consolidate the Department of Community Services and Development into the Department of Social Services. This action does not result in GF costs.
- Maintained the Governor's reduction of \$2.9 million to the Naturalization Services program.

**5160 DEPARTMENT OF REHABILITATION**

- Approved \$22.8 million (\$16.5 GF) in reductions to employment programs serving persons with developmental disabilities. Suspended the Work Activity Program (WAP) rate adjustment for 2003-04. Reduced WAP rates by 5 percent. Restored 2.5 percent of the rate reduction proposed by the Governor for a resulting reduction to the Supported Employment rate of 2.5 percent.
- Reduced funding for the Habilitation Services Program by \$12.3 million GF and reverted \$5.7 million to the GF due to changes in caseload.
- Increased funding for the Vocational Rehabilitation Services program by \$1.9 million (\$.6 GF) to reflect changes in caseload and increased costs per client.
- Approved the proposed transfer of the Habilitation Services program from the Department of Rehabilitation to the Department of Developmental Services effective July 1, 2004 for savings of \$2.2 million GF in 2004-05. Adopted placeholder trailer bill language to effectuate the transfer.
- Adopted trailer bill legislation to remove the sunset of two provisions governing the Supported Employment program.

**5170 STATE INDEPENDENT LIVING COUNCIL**

- Approved as budgeted.

**5175 DEPARTMENT OF CHILD SUPPORT SERVICES**

- Adopted trailer bill legislation to increase collection of child support arrears owed to the state and to establish more accurate support orders for a \$39.2 million increase in GF revenues, an increase of \$5.5 million in earned federal incentives, and net GF savings of \$3 million.
- Adopted trailer bill legislation to require the Department of Child Support Services to work with the Legislature and stakeholders to evaluate the existing county allocation methodology, consider alternatives and report to the Legislature at budget hearings by March 31, 2004.
- Approved the Governor's proposal to reduce funding for local child support agencies by \$108.8 million (\$37 million GF).
- Suspended health insurance incentives and performance incentives for savings of \$4.2 million.

- Increased funding to pay for the federal penalty resulting from the state's failure to implement a statewide child support system to \$208.6 million GF, offset by reimbursement of \$52.1 million from counties. Adopted trailer bill language that permits the Department of Finance to require counties to pay up to 25 percent of the federal penalty in the 2003-04 fiscal year.
- Reduced GF support for local child support agencies by \$1.8 million due to an increase in the federal incentive funds earned by the state.
- Approved the reappropriation of unspent funds to support the continuing consolidation of county automation systems into fewer systems to increase efficiency and reduce maintenance and operations costs.
- Increased funding for Child Support State Administration hearings by \$778,000 (\$264,000 GF) to address a substantial backlog in the number of cases awaiting hearings.
- Restored a \$2.4 million January reduction in child support revenues transferred to the Foster Parent Training Program operated by the Community Colleges.

## **5180 DEPARTMENT OF SOCIAL SERVICES**

- Reversed proposed realignment of Adoption Assistance program, Adult Protective Services, CalWORKs employment services and administration, Child Welfare Services, Foster Care, KinGAP and In-Home Supportive Services program costs to counties.
- Adopted Budget Bill language and trailer bill legislation to authorize the Department of Finance to adjust funding if legislation is enacted to realign costs for Adult Protective Services, Child Welfare Services, CalWORKs grants, employment services and administration, and Foster Care to counties and to provide counties a new revenue source to fund the programs.

### **Community Care Licensing**

- Adopted the Governor's proposal to reduce funding for Community Care Licensing by \$5.6 million GF as a result of reforms to target annual visits to high-risk facilities. Adopted trailer bill legislation to require the Department of Social Services (DSS) to visit each facility no less than once every five years and to include an escalator clause to trigger additional visits if a significant number of licensing violations are identified.
- Adopted the Governor's proposed increases in fees assessed from facilities licensed by DSS. The increases will generate \$4.9 million in additional GF revenues. The budget assumes doubling of license fees for childcare centers and family child care homes and a 25 percent increase in fees for residential facilities for the elderly or chronically ill and adult day care.
- Adopted a new foster family agency fee assessed from agencies based on the number of foster homes certified. The new fee is \$80 per certified family home and will generate approximately \$800,000 in GF revenues.

- Rejected the Governor's proposal to transfer responsibility to investigate less serious complaints filed against certified family homes from the DSS to foster family agencies. Provided a \$672,000 augmentation to support DSS' continued investigation of complaints.
- Suspended, for 2003-04, fee exemptions or adjustments offered to family day care providers, persons operating or managing a certified family home or a foster family home, and volunteers at child care facilities for the costs of processing fingerprints, for savings of \$2.8 million GF.
- Reduced GF support by \$329,000 due to a caseload reduction.

### **Automation Projects**

- Reduced spending authority by \$10.3 million for maintenance and operations of the Child Welfare Services Case Management System to reflect savings resulting from a negotiated CWS/CMS maintenance and operations contract extension
- Reduced spending authority by \$7 million due to financing new CWS/CMS hardware.

### **Children and Youth Services**

- Adopted the May Revision cost and caseload adjustment to Adoption Services for savings of \$1.1 million (\$343,000 GF). Adopted the May Revision cost and caseload adjustment for the Adoption Assistance program which increases funding by \$18.9 million (\$6.8 million GF).
- Adopted the May Revision KinGAP cost and caseload adjustment for savings of \$3.3 million.
- Adopted the May Revision adjustment for Foster Care which reflects an increase in group home costs, a decrease in federally eligible children in Foster Family Homes, and caseload growth for a total funding increase of \$13 million (\$12 million GF).
- Increased by \$11 million GF funding to provide transitional housing for foster youth.
- Rejected the Governor's proposed increase of \$28 million Temporary Aid for Needy Families (TANF) funds to support the state's Program Improvement Plan (PIP) and Child Welfare Services system redesign as the Legislature had not received complete information on the proposed PIP and the system redesign, and the federal government had not approved the PIP.
- Approved the transfer of \$37 million in TANF funds to support Child Welfare Services resulting in \$37 million GF savings.

### **CalWORKs**

- Adopted the May Revision CalWORKs caseload estimate for net savings in assistance payments of \$307 million.
- Adopted the Governor's proposed restoration of CalWORKs grants to their current level.

- Rejected the Governor's proposed suspension of cost-of-living adjustments in 2002-03.
- Maintained the suspension of the 2003-04 CalWORKs cost-of-living adjustment resulting from the increase in the Vehicle License Fee for TANF savings of \$91.4 million.
- Increased funding for CalWORKs administration and employment services by \$184.9 million due to a revised estimate of the number of parents who will reach their time limit in 2003-04.
- Increased the one-time employment services augmentation by \$35 million.
- Adjusted funding to reflect a delay in the implementation of prospective budgeting and new estimates of the administrative savings resulting from the reform for net savings of \$ 20 million.
- Adopted trailer bill legislation to allow counties to expend previously earned and appropriated county incentive funds in future years. This change does not increase GF costs.
- Eliminated Budget bill language which prohibited the redistribution of unspent county CalWORKs services and administration dollars. This change does not increase GF costs.
- Provided a \$524.9 million TANF fund transfer to support Stage 2 childcare.
- Approved the Governor's proposal to count \$57 million in childcare expenditures towards the TANF federal maintenance-of-effort requirement for a General fund savings of \$57 million.

**Adult Programs**

- Adopted the May Revision SSI/SSP and In-Home Supportive Services (IHSS) cost and caseload adjustments for increased costs of \$34.9 million.
- Adopted the Governor's proposed restoration of SSI/SSP grants to their current level.
- Rejected the Governor's proposal to suspend the SSI/SSP cost-of-living adjustment in 2002-03 for an increase in costs of \$292.3 million GF.
- Agreed with the Governor's proposal to suspend the state SSI/SSP cost of living adjustment in the 2003-04 fiscal year for a savings of \$104 million GF.
- Rejected the Governor's proposal to transfer TANF funds to support caseload growth in the In-Home Supportive Services program for GF costs of \$54.1 million.



## LABOR

### **0559      LABOR AND WORKFORCE DEVELOPMENT AGENCY**

- Reduced funding for the Labor and Workforce Development Agency by 14 percent for savings of \$317,000 GF.

### **5100      EMPLOYMENT DEVELOPMENT DEPARTMENT**

- Adopted Budget Bill language and provided an \$85 million augmentation in federal Reed Act funds to the Employment Development Department to redesign the unemployment insurance continued claims system, improve the service levels at the unemployment insurance call centers, and prevent and detect fraud in the unemployment insurance system.
- Adopted trailer bill legislation to prohibit the award of state or federally funded workforce development grants or contracts to pervasively sectarian organizations and to require that workforce development grants or contracts comply with civil rights laws, religious freedom, and laws that establish the separation of church and state.
- Adopted trailer bill legislation to establish legislative intent that future budgets include an itemized schedule of workforce development programs to be funded by the federal Workforce Investment Act discretionary funds.

### **Employment Training Panel**

- Increased by \$35 million to a total of \$56.4 million the Governor's proposed transfer of funds from the Employment Training Fund to the CalWORKs program for support of employment services provided to families on CalWORKs.
- Adopted the Governor's May Revision proposal to eliminate the transfer of funds from the Employment Training Fund to the Employment Development Department for support of the Labor Market Information program.
- Adopted supplemental report language that requires the Department of Social Services and the Employment Training Panel to report to the Legislature on the feasibility of referring families on CalWORKs to the Employment Training Panel and reducing the diversion of dollars from the Employment Training Fund to the CalWORKs program.

**8350 DEPARTMENT OF INDUSTRIAL RELATIONS**

- Increase GF support for the Department of Industrial Relations by \$27.1 million GF to provide partial year General Fund support for Workers' Compensation Administration costs.
- Deferred action on the Governor's proposal to shift all worker's compensation administration costs to the Worker's Compensation Revolving Fund, thereby shifting administration costs to employers that participate in the state's Workers' Compensation programs.
- Approved the Governor's proposed \$9.3 million augmentation to implement cost-saving reforms in the administration of the workers' compensation system enacted through Chapter 6, Statutes of 2002 (AB 749, Calderon).

**Industrial Welfare Commission (IWC)**

- Reduced funding for the Industrial Welfare Commission by 50 percent to \$235,000.